Christianity and Industry: Nine

THE ECONOMIC ORDER

WHAT IS IT? WHAT IS IT WORTH?

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"And money is like muck, not good except it be spread."
—BACON'S *Essay on Seditions and Troubles. In London Edition 1919, Vol. II, p. 287.*

The problem of the church today is the problem of harmonizing the motives, theories, and practices of commercialism with the life and teachings of Jesus Christ. It is needless to say that this can be done only by changing and reforming commercialism and not by any attempt to adapt the theories or practices of Christianity to present-day commercial standards.

The present industrial and economic life in theory, motive and practice is inconsistent with any religion of brotherhood or service as taught or practiced by Jesus or as confessed by any Christian Church, Protestant or Catholic, or, with those of any other organized ecclesiastical body in Christendom.

The religion of Christ is a religion of equal rights and duties, of service leading to life—more abundant life. Under a Christian economy, men work that they may provide themselves with the means of life and serve the economic needs of humanity, but under the present system the owners of capital, the controllers of economic life and methods work for profits and the resulting power, while the mass of mankind, the manual workers, who are propertyless, work sullenly, unwillingly, and ineffectively from fear and necessity. They lack the sense of joy and of service and the inspiration that comes from feeling that their reward will correspond to their

efforts, or that the results of their labor will do any living being any good rather than to serve some vain and useless purpose.

Our present system rests on the theory of self-interest, private property, freedom of individual contract, and the universality and beneficence of individual competition. It grew out of conditions that have long since passed away.

We assume today a homogeneous frontier: an agricultural population substantially equal in intelligence and property, producing primarily for a living and not for profit, with little division of labor, small variety of goods, limited extent of market, relatively fixed prices, little fixed capital, and with all men competing on the basis of substantially equal intelligence and wealth, and subject to what we vaguely call demand and supply.

In fact, we are producing, not for a living, but for profit, for unknown, world-wide markets with fluctuating prices, minute division of labor, colossal masses of fixed capital, gigantic trusts, unparalleled inequality of wealth, and stratification into what are definite social and economic classes.

In theory, our system is one of self-interest, seeking profits, and resting on individual contract expressing the will or free choice of the individual. This system is protected by written constitutions and administered by courts which identify common law and individual rights with natural rights. Courts which consider that the functions of government are to protect property and to protect the individual against society and all its agencies. To make this system more impossible and even ridiculous, we have ascribed to enormous aggregations of capital known as corporations and trusts all the rights and privileges of individual or natural persons.

When this theory of contract took shape, society was

virtually stagnant, and if the amount of production increased the surplus went to the producers, the workmen, in fairly equal portions. Rapid invention and discovery and the development of capitalism with its working classes, without ownership, enormously increased this surplus, and caused it to go to the owners of the means of production, largely to the exclusion of the workers. The primary struggle today is for this surplus in a dynamic and progressive society, with its ever-increasing surplus.

When the doctrine of individualism and freedom of contract took hold of the minds of men, the great masses of mankind, even in England, were in a condition of status and want of freedom, and were, in law and in fact, excluded from the realm of contract.

The general growth of the spirit of freedom, more particularly since the beginning of the Christian era, and the emphasis put upon the right of individual conscience and individual judgment, and the value of service and the brotherhood of man, the teachings of Christ and the Christian Church have brought home each year to the minds of men more and more the glaring inconsistency between our industrial system and the essence of Christianity. There have been certain periods, such as the Protestant Reformation, the American and French Revolutions, and a period preceding our Civil War with the agitation for the abolition of slavery, when this inconsistency has been particularly marked and glaring.

The church can no longer keep aloof from these ultimate issues of right and justice. It is remains neutral, it becomes the representative of the small powerful class and ceases to have any influence with the mass of mankind. If it lends itself to the support of capitalism, it will be destroyed with capitalism. If it cannot stem the tide of capitalism, our civilization is already doomed.

The Christian Church for twenty centuries has been the strongest agency of right and justice and in no other agency is there like hope today.

Whether or not a firm and Christian stand on these questions would lessen the funds of the church is beside the point. It is undesirable that the Church should have funds if they are to be used in the face of Christ's teaching to strengthen and support injustice, and social, economic, and moral, degradation.

If the church stands for anything worthwhile, it stands for universal brotherhood, and if it is to be used by the strong to oppress the weak, it ceases to make any effective appeal to the weak. It then becomes not only a class institution but an institution appealing to an objectionable class, diminishing in numbers, but increasing in power—a class increasingly hostile to the spirit of Christianity.

If we believe in democracy, which is supposed to be embodied in Christianity because of its spirit of universality and justice, we must take a stand against the present inequality with its exploitation. We must realize that a democracy, even in form, cannot be maintained in the midst of great concentrated wealth and luxury when the vast majority of the citizens enjoy the political franchise and have no property.

To understand the origin and the significance of these doctrines and to appreciate the steps by which we came to our present condition, we must understand the circumstances out of which they grew, and the changes that have come over the world in recent times, more particularly in the last one hundred and fifty years.

The cry today is the necessity of protecting property and property rights. The system we have in this country today is the result of adapting the Common Law to the frontier conditions of two generations ago in

America and retaining the system after the frontier conditions have entirely disappeared.

When the emphasis was first put upon the necessity of protecting property, property was widely and relatively equally diffused among all free persons, and consisted primarily of land and tools used by their owners. The aim of the protection was to protect one in the fruits of his own labor and to ward off arbitrary action of absolute and irresponsible governments and the raids of robbers and burglars. When we talk of protecting property today, we mean chiefly protecting contracts and intangible property rights in the shape of stocks, bonds, and other contracts—rights designed to establish control and protect income of property to which the holders of those rights may be and usually are strangers, whose only interest in the property is in profits or dividends. The object is no longer to protect the producers but the absentee legal owners; not to insure one the fruits of his own labor, but the fruits of the labor of others, to the production of which the owners of these intangible rights have often made no contribution whatever.

The chief evil of such a system is not that it is unjust and works individual hardship, but that it is so unjust as to destroy hope and to so demoralize the whole community, as to discourage enterprise, honesty, or thrift, and to turn the population from industry to speculation and loot, and ultimately to decrease production itself. In the long run, no people will produce an ample supply of commodities for maintaining a high degree of civilization unless society is so organized as to give reasonable hope and assurance that the individual member of society will profit by his efficiency, and, by and large, reap the benefits of his efforts. Whatever the stage of development at any time, it is particularly difficult to increase the production without such confidence.

The original idea of contract in our law—the same was true in the Roman Law—was that it was an arrangement evidencing the consent or will of two individual natural persons, voluntarily entered into by each for his personal economic advantage, each person being supposed to be in a position to reject or to accept the proposed contract as his interest dictated. This involved the economic as well as the legal absence of compulsion. If it be said that in previous centuries, to which reference is here made, there were very many poor people who were not economically independent, the answer is that these persons were until the Industrial Revolution (that is until machinery made possible enormous profits and created large surpluses) excluded in theory and in practice from the field of contract. When the doctrine of free contract was forming, all idiots, imbeciles, women, domestic servants, manufacturing workmen, and other economically dependent classes, were formally excluded from contract. The economic relations of such persons were all fixed by law and not by contract.

The wages of labor and the prices of all necessities were fixed by public authority. In fact and in deed, freedom of contract, or free competition applied to those only who were substantially equal in education, intellect, and economic goods, and who were able, therefore, to accept or to reject the terms of a proposed contract as their judgment and their interests dictated. This worked particularly well in this conutry so long as there was abundant unappropriated good land. The doctrine of competition, self-interest, and freedom of contract for the people concerned generally worked fairly well under such conditions of equality.

With the growth of political freedom, the relaxation of governmental restrictions and the increased power of producing commodities, the circumstances sud-

denly changed. Substantially, all adults of both sexes have now been brought legally within the realm of contract; but at the same time, the increased wealth created by machinery has been concentrated in control or management, not only in the hands of the few rich individuals, but of powerful corporations and gigantic trusts. To these combinations, as previously stated, we have foolishly and recklessly ascribed all the rights, privileges, and powers of natural persons. The so-called competition is no longer equal or beneficial. A newly arrived uneducated foreign immigrant can no longer bargain on equal or beneficial terms with one of these large artificial persons. He is no longer free to accept or reject the terms offered—for he is without knowledge of the language, laws, customs or opportunities and lacks the economic means to live without a daily wage. He must accept the offered wage on the mere principle that half a living is better than none at all and not, as the theory requires, because he improves his economic status by it.

The whole idea of freedom of contract as interpreted in financial contracts has no logical application to such inequality or to the wage contract. It would be ridiculous if it were not so painful, un-Christian, and socially injurious. Political and legal freedom are mere farces without economic freedom. Under a capitalistic system of concentrated private property and world division of labor, economic freedom does not exist for non-propertied people—that is, for the industrial workers.

We use the terms freedom of contract, demand and supply, and competition as if they were fixed by the laws of God and were immutable natural laws. Let us look at the heart of the matter and see what competition is in its essence, and what are its underlying conditions and limitations.

In its origin, economic competition implied that two

or more producers of commodities were producing for the same market. They would necessarily have to sell at the same price. Each, in the attempt to get the market, would, in turn, reduce the price until a price would be reached where the most efficient would be selling at a profit while the less efficient would be selling at a loss, or, at least without profit and at less remuneration than could supposedly be obtained in some other industry. In theory, then, the less efficient producers would transfer their labor and capital to some industry that promised them greater rewards. Theoretically this could be done without loss, or at least without serious loss. If such were the case, then all labor and capital would necessarily be employed in a manner most advantageous not only to the owners, but also to the community as well. The result would be the largest possible production and, under the supposition, competition would also result in equalizing the returns among both workmen and capitalists. Expressed in the lingo of the economists, the supposition was that both capital and labor were completely mobile, that is, could be transferred from one industry to another without serious loss. So long as capital consisted chiefly of land and tools carried in the kits of the workmen, this supposition was essentially true.

But with the progress of the arts, the evolution of machinery, the development of modern means of transportion, and the wide division of labor producing for world markets, all this changed. We passed to a condition characterized by what we call fixed capital—a condition where the owner—absentee owner—controls every phase of production; the plant, the time, the place, the amount and the quality of production. The laborers have lost the ownership of their tools, they have become highly specialized and dependent upon a single employer

in a single factory, while under our governmental system, the owners of the capital have the power of flooding the market with raw immigrants, without means, without knowledge of our laws and language, or our industries. Furthermore, the large trusts that employ these persons usually not only manage to keep a large surplus of this class of labor in any locality, but they own many plants in many localities and can play one plant off against the other, shutting down without material loss a factory when the laborers will not accept the terms offered, and making up the loss by speeding up the work elsewhere or by restricting the general amount of goods on the market and thus raising the price, or by using both these methods at the same time.

But the chief characteristic of this situation, so far as our present point is concerned, is that the capital is fixed, that is, irrevocably devoted to this industry in this place. If a man has a highly specialized, complex plant, which must be either scrapped or used for this particular purpose in this particular place only, till it is worn out, the price at which he can afford to sell the product rather than to abandon and scrap the plant has no relation whatever to the true economic cost of production, which includes the interest, or capital cost. So far as cost of production affects the price of goods, the costs of operation alone, excluding the capital cost or interest, affects the price in such a case. The capital costs are incurred already, and must be borne whether the product sells or not, and even if the plant is shut down. For interest, depreciation, and repairs go on, irrespective of operation, amount of product or the price of the same.

As already stated, fixed capital is the most important characteristic of modern capitalistic production and wherever large specialized fixed capital is involved, competition, as a regulator of price, or a safeguard to

the consumer, disappears. So far as this is true, the word competition is actually a misnomer. It has no application whatever to any condition of affairs when the capital is not mobile, that is, when it cannot, when it becomes unprofitable, be transferred without great loss to some other industry that promises better returns. The automatic element of adjustment, the key of the whole doctrine, is lost and the natural laws of economics about which our newspapers prate have no application.

Because of this fact vast quantities of goods are sold every day at less than cost as that term is defined under the doctrine of free competition. This process can go on, and does go on, in every important industry every day until the plants are worn out or population grows up to absorb the supply.

Yet we still continue to worship and believe in competition as that doctrine was formulated by David Ricardo, the father of modern economics, a century ago. Some things ought to be said about the origin of this doctrine. First, it was formulated before the age of large, highly specialized, fixed capital and the world division of labor. In the next place, Ricardo was a Jew, and Jews for thousands of years have been persecuted, and compelled to keep their wealth in the form of money, and other forms of concealable and mobile capital. They are traders and not producers. Again, Ricardo was a banker and virtually all banking capital is fluid or mobile. Competition has a wider range here than in any other important field, for if a banker tries to employ more capital in his business than proves profitable, he can withdraw part of it without loss. Finally, Ricardo was a metropolitan, and metropolitan life is primarily a trading life—a system of brokerage, where gains are made, not by producing commodities, but by trading in them, and speculating in them as prices change. It is not

strange, therefore, that Ricardo, who knew little about production or fixed capital, should have based his system of economics on the doctrine that capital and labor are entirely mobile, and competition universal and, therefore, beneficent, and that economic well being rests on commercial trading rather than on production. Hence the orgy of commercialism and commercial speculation under which we have lived for a century. For the shrewd trader makes his money on a fall of prices as much as on a rise. Change and fluctuating prices are the very life of trade and speculation, but the death of thrift, production and welfare. As a result of this doctrine, we have become a nation of speculators and gamblers; acquisition, not production, is the goal of American youth and the chief aim of our property owners.

The spirit of acquisition is in the air, in our homes, in our churches, our schools, our colleges, our newspapers and, most of all, in our educational efforts, as manifested in our text books and schools of business. The whole emphasis is on acquisition. So far as we pay any attention to production, the emphasis is on profits in production and not on the real purpose of all sound economic life and efforts, namely, to serve humanity and to meet the economic needs of society.

The Ricardian idea of competition is embodied in our rigid constitutions, our Common Law, our legislation, and our courts, which undertake to interpret it strictly; while our owners of capital, our trading, commercial and banking interests dominate industry, legislation, and administration. Such a system inevitably leads, first to ignorance of industry and all of its conditions by the owners who dominate industry, next, to indifference to the welfare and interests of both producers and consumers and, above all, to adulteration of goods and to a general deterioration of quality, and

finally, to exploitation of all the weaker members of society—producers and consumers alike—by the agreements, combinations, monopolies and trusts to voluntarily destroy and prevent competition. The circumstances that make exploitation possible also tend constantly to increase the degree of inequality of wealth. At the same time, the increasing means of communication make possible the united and combined action of all the major capitalistic interests for such exploitation and for the maintenance of the system.

The competitive system as heretofore interpreted was doomed even before the war came, because of the amount of fixed capital, the inequality of the parties and the various factors already alluded to, more especially the length of time necessary to complete the process of production from the beginning of that process until the commodity reaches the final consumer and satisfies his wants. But the war has taught us that so long drawn out a process extending over such long stretches of time, and in many instances almost encircling the globe, can be carried out successfully only when all parts of the complex organism are carefully and completely co-ordinated and work in perfect harmony.

The war not only disturbed, for the time being, the necessary co-ordination but created a hate and a fear and an international jealousy that are in danger of disturbing the industrial machine at any moment in enough places to paralyze the whole establishment. The nations do it by legislative prohibitions of exports and imports, by unheard-of custom duties and threats of custom duties on exports and imports. The trusts do it by curtailing supply and arbitrarily raising prices. The workers do it by large masses of them going on strike at one time. In fact the war taught us that with the large masses of fixed capital, the wide extent of mar-

kets, and the instability of credit and prices, any group of speculators, raiders, or workmen reap their rewards and unload and disappear long before any competitive force can work a remedy and bring about a readjustment. The time element, with the large mass of capital required to compete, and the certainty that with proper co-ordination and balance of factors there is already enough if not too much permanent investment to be profitable when the emergency passes, prevents attempts at competition. No set of men would be able or would wish to undertake to duplicate the Pennsylvania Railroad simply because a strike stopped service on that road, nor would investors undertake to duplicate all the plants of the United States Steel Corporation because that company curtailed production, raised prices, made excessive profits, or otherwise behaved badly. To mention the idea is to show the absurdity of it.

Competition is theoretically possible, but practically impossible for a multitude of reasons. Among these are the limitation of natural resources of all kinds, the enormous amount of capital necessary even to make a pretense, or attempt even a threat of competition, to say nothing of the fact that those now in control of the plants also control credit and transportation. But the main reason is that such a mass of capital in the hands of a single management can always change the practices and lower its prices and that it is sufficient for supplying the whole market. Therefore, to attempt to compete would be to duplicate that investment and to create excessive investment in the industry. The capital being fixed, a simple fight in cutting prices and selling below economic cost would take place (if the pretense of competition were genuine) to see which company could bankrupt the other and then buy its plants much below cost. Having acquired a monopoly by buying its

competitor, the victor immediately recoups itself for the expenses of its war. But this interesting and highly disturbing phenomenon has none of the elements of economic competition in the Ricardian sense of the word. If there be immutable and natural laws, as our bankers and our press believe, they are not laws working in the interest of the consumer, of justice, or of social peace. They are the laws of the jungle.

We have heard much in recent months to the effect that business is recovering. The chief evidence adduced in support of this proposition is the rise of the price of stocks and bonds on the market and an increase of net railroad earnings. Increased activity on the Exchanges is always regarded as a sign of prosperity by speculators irrespective of what is going on in the industrial and economic life of the peoples. Those who preach the doctrine, and with technical correctness, in season and out of season that general wages cannot be raised successfully without an increase of production, would do well to recall that production has fallen off. The fact is, that the apparent increase in net railroad earnings is not genuine but is in a large part a new bookkeeping gain obtained by starving maintenance,[1] and the balance is obtained by deflating labor to an extent sufficient to bring on the pending strike. While the Interstate[1] Commerce Commission does not find inadequate maintenance as a fact, pleading the inadequate record in the case under consideration, after citing the testimony of the railroad presidents to the effect that the roads are under-

[1]See Decision Interstate Commerce Commission, May 16, 1922, where it is shown that traffic in 1921 was 25 per cent less than in 1920 and amount spent for maintenance in 1921 was $606,284,581 less than in 1920.

Cf. Howard Elliott testimony House Hearings 67 Cong. 2nd Session H. R. 6861 and 8131 page 1576. At page 574 and 576 he says the reported earnings for the first three months of 1922 were $161,000,000 but that the deferred maintenance on equipment alone would require and would absorb $111,000,000 of this.

maintained, the Commission says: "in brief, we are left with the abiding, if composite, impression that, on the whole, the railway plant of the country was not at the end of 1921, and is not now (May 16, 1922), in as good condition as it should be, and is far from ready to meet the demands which will come with the resumption of general business activity."

In fact the undermaintenance reached such a stage that trainmen refused to move trains because of the condition of the rolling stock and the Interstate Commission voluntarily called the attention of the President to this dangerous condition. The President was so sufficiently impressed with the truth of the charges as to assume their truth in his strike message to Congress in August, 1922. Reported net gains that rest on such a basis can hardly be a cause of great rejoicing or of permanent prosperity. No judgment is here expressed as to whether railroad wages were too high or too low. Attention is simply called to the false standard of prosperity. Prosperity comes ultimately from increased production not from taking something from one class and giving it to another. Increased railroad earnings arising from increased rates and decreased traffic and wages are not direct causes of increasing prosperity. They are much more likely to be a cause of strikes, social unrest and ultimate depression.

There can be no increase in real prosperity except by an increase of production followed by an equitable distribution of the product. But such an idea does not seem to have entered the minds of the railroad managers. In a profit-seeking age their sole criterion of general prosperity is the increase of railroad profits.

The present capitalistic system with its absentee ownership and control of industry—by ownership divorced from productive effort—has heretofore found its chief

defense in the assertion that however imperfect it may be, and however cruel and harsh, unjust and un-Christian, at least it is efficient in that it results in a large sum total of production. The further assumption is that such production is fundamentally necessary for progress and that it can be obtained in no other way. It is a necessary corollary of this argument that under a competitive system this increased production will by natural forces be widely diffused and thus benefit the whole community.

The burden of exploitation always falls on the weak unorganized portions of the community, whether workers or consumers; while the gain to the profiteers is usually only a very small part of the loss to the public Had one read the newspapers two years ago he would have come to the conclusion that the absentee owners of capital and masters of our economic fate had but one desire, to fulfil the words of Christ—and feed the hungry and clothe the naked. Their one cry was "produce! produce!" and their one complaint was that workmen were lazy, greedy and inefficient, and were restricting output. But in the twinkling of an eye, when commodity prices began to drop and profits to decrease, the whole industrial machine was paralyzed and almost stopped, and millions of men were thrown out of employment. The demonstration was complete that profits—large profits, based on the standard of war profiteering, was the sole object of the owners.

If it be said that the owners were helpless and not to blame, I admit it; but the system is thereby condemned. For the appalling need, after the devastation of war, the men, the material, and all the machinery for an adequate production remained, so far as our country is concerned. But it could not be used except by the consent and on the terms of the owners and their sole

standard was not production, but profits, based on the high war and post-war standards of profits. There is a grain of truth in the suggestion that high prices cannot be paid except from large production, but not enough to sustain the argument as a practical working proposition under the complex system of individualism and wide division of labor. It is true that no more can be paid out of wages than is produced, and that a general high level of wages can come only from large production.

As there was a natural limit to the exploitation of workmen as long as our unappropriated natural resources remained abundant, so it is true that the world division of labor and the capitalistic system, so long as the workmen were reasonably satisfied and worked effectively, resulted in an increased production. But having exhausted our unappropriated natural resources, the exploited workmen cannot escape from industrial exploitation by taking up a homestead. Since we have turned our whole industrial machine into a profit-making speculation, the individual workman has not only lost hope of escape from the status of workman but has equally concluded that he cannot expect, under present conditions, to get all or even a considerable share of an increase in product from his increased efficiency. Therefore he naturally asks why he should work harder that others may reap more.

The only real incentive to greater industrial effort or to thrift is the belief that one will himself reap the reward of his greater effort and increased thrift, that is, that he will reap the fruits of his own labor and abstinence, or saving, and that he is rendering a service to humanity by his efforts. Speaking by and large, the workman has lost this faith. Hence he is unwilling to produce more.

The cry that the laborers restrict output and oppose

labor-saving machinery is as old as capitalism and profit-seeking. The charges in a literal sense are true, but the question of the moral responsibility in the matter, and the use made of these charges require careful consideration. Of course, the laborers limit output and oppose the introduction of labor-saving machinery. They adopted the theory and the practice from the capitalists just as they follow the fashions of the privileged classes in clothes, manners, and morals. The author of "The Mirrors of Downing Street" puts the case very clearly on page one hundred and seventy. In speaking of the materialism of the age he says: "But though the leaders of labour are guilty of this corruption, there is no doubt that the ugliness of spirit in democracy is the reflection of the ugly life led by the privileged classes. There is no reproach for democracy when it looks upward. It sees nothing but the reckless and useless display of wealth, nothing in the full shine of prosperity but a Bacchanalian horde of irresponsible sensualists, nothing then but a ramp of unashamed hedonism and a hedonism of the lowest order." * * * "where is there now among the possessing classes an example even of simplicity of dress, a modesty in behavior, temperance in conduct, and thrift in living? As for any higher example—an example of wisdom, duty, self sacrifice and moral earnestness—it is nowhere visible in our national life to those who look upward."

But to return to the restrictions of output. Has there ever been a trust, one important motive for the formation of which was not to acquire power enough to enable it to restrict output and keep up or raise prices? As to those opposing labor saving machinery, the laborers do generally oppose it, because a long and sad experience has taught them that, under the present organization of society, while the laborers are usually displaced all or

the major portions of the gains from such improved machinery go in the first instance to the capitalists and the owners—in increased profits and ultimately to the consumers in cheaper goods. Whoever heard of a workman who became his own employer objecting to improved tools, or who wished to work with inefficient equipment? To analyze the problem is to show that the charge as made and interpreted by the employers is against human nature and the constitution of man.

This is a marked case of danger of averages. Improved machinery means increased production and ultimately cheaper goods in that industry; but the change usually means injury to the particular workmen in that industry and often it means a total loss of their jobs. It is neither logical nor just to expect an individual workman or a group of workmen to be willing to be thrown out of employment in order that in a future generation other consumers may have the goods produced in that industry cheaper. He is likely to be a very small consumer, and often not a consumer at all, of the goods he is producing. Therefore, under our present system of ownership, division of labor, and competition, he has no interest in the price of goods he is producing but he has a paramount interest in holding his job, of which the improved machinery is likely to deprive him.

When the street cars were electrified most of the drivers were displaced by younger men with much more education and technical training. All the talk about how much cheaper passengers could be carried by electricity did not procure another job or feed the families of the former drivers. Under our competitive system, the drivers would have been fools if they had not prevented the electrification if it had been in their power to do so. To demand, under our present system, that hired workers should welcome, or should refuse to oppose,

improved machinery and processes that come as rapidly as they have come in this country, is to deny the fundamental axiom—self interest—of the competitive system and to require them willingly and knowingly to bear all the burden of human progress. We do not demand such altruistic action on the part of any other element in our population. No! the workmen are not opposed to improved machinery or increased production, but oppose these things only when they know or believe that all the gains, or the major portion thereof, arising from such improvements go to other elements in society, and that they, themselves, are made absolutely worse off and placed in the position where they are less able to defend their rights and interests.

As previously remarked, the struggle over these matters is simply a part of the immense struggle for a part of the surplus created by progress. The same principle is well illustrated by the history of the so-called efficiency movement. When the engineers made a great and important discovery that by study and experiment an enormous saving of human effort in production could be made and that the world might thus have vastly more commodities to consume without additional effort, or, still better, might have as many commodities by less effort and thus acquire a large amount of leisure for the amenities of life, the owners of capital seized upon the idea as a means of destroying the unions and increasing the profits, that is, of seizing the major portions of the surplus created. They proposed to place the workmen under much more rigid control and to allow them, roughly speaking, from ten to twenty-five per cent more wages, and estimated that the profits would be from fifty to three hundred per cent above those of the old régime. The workmen looked with alarm upon the possible use of such increased and concentrated profits as a

means of further inequality and exploitation when once the unions had been broken. They would have none of it! The world was thus deprived of one of the greatest possible steps forward. For the engineers had really discovered how to do the work of the world with much less human effort but, unfortunately, the owners of industry, whose hired men the engineers were, wrecked the scheme on the profit idea. Again, it was not increased production or human welfare but increased profits the owners were after, and the engineers were merely their tools.

When the National Association of Railroad Security Owners, chiefly owners of bonds, presented a scheme to Congress for turning the roads back to the private owners after the war, they were publicly rebuked by the railroad executives, speaking through President Smith of the New York Central for interfering with railroad management on the ground that as bond holders they had no interest in the matter and no right to try to exercise any influence on the management. Yet this association represents, primarily, bond holders and the face value of the bonds approaches nearly twice that of the stocks. Furthermore, the bonds have been mostly paid for at par while the stock carrying full control is in large part water. Excluding the property acquired out of the surplus earnings, the bond holders have probably put from three to four times as much of their own money into the railroads as the stockholders have; yet we are told that if this whole investment is not left in the hands of the stockholders and made a football of speculation, private initiative, thrift, and the accumulation of capital in general will cease, and civilization will decline. Again, it is ownership irrespective of contribution to the service that claims the control and direction and the right to use the whole capital or investment for specu-

lative gains. It is the old argument in favor of protecting property, of freedom of contract, and so on.

So long as men would work effectively and allow the product to go to the speculators, the prize of large speculative individual fortunes connected with mere ownership was, indeed, an incentive to industrial energy and enterprise. So long as every man, rich or poor, felt that he had a chance to get to the top and get control of so vast a power, the incentive to energy and effort was tremendous. But the system of turning over the industrial machine with its vast surplus gains, to the sepculators, has resulted in such a degree of dissatisfaction on the part of the workmen, and such an ignorance of industrial processes on the part of the absentee owners, that workmen refuse longer to produce for such a purpose. The goal has disappeared from industry so far as the workers are concerned. Instead of producing more we are producing less, and this condition is likley to grow worse rather than better, until the system undergoes radical changes, and the workmen come to believe that if they produce more they will receive more. This is true in times of industrial peace, while the system leads indirectly to an increasing number and severity of strikes, such as those of the summer of 1921 and 1922. At present the whole industrial situation is one of highly unstable equilibrium.

The condition in America today, with its direction of industry by capitalistic absentee owners, with absolute control, but without technical knowledge of industry or other interest than profits in the outcome of industry, is quite comparable to the absentee landlordism in Ireland forty years ago. The absentee landlordism was defended on the arguments of the sacredness of private property, private initiative and thrift that now support our capitalistic régime. But the system ran its course

till Ireland was almost depopulated, production almost ceased and profits entirely disappeared. The system became unable to support itself, as the present capitalistic system must do at an early date. It died of its own rottenness. England, to prevent the total disappearance of the Irish nation by starvation and emigration, had to renounce every theory used today to defend capitalism and establish a system of reorganization, ownership, and use of the economic resources of Ireland, whose end is co-operation, production, service, and human welfare, and not merely profits for absentee landlords who take no part in industry, have no knowledge of it, and whose only claim to an ever increasing portion of the rewards rests on mere ownership disassociated from service.

England now protects property and property rights in Ireland in the sense in which those terms were used when they originated some centuries ago. The law attempts now to secure that one who works in Ireland shall have access to the natural resources and shall receive the fruits of his labor, and, thereby efficiency in production, thrift, and the accumulation of capital are encouraged. Efficiency of labor, thrift and the accumulation of capital have never been encouraged in any nation by encouraging speculation, or offering the choice of large speculative individual fortunes, or by turning over the ownership and control of industry and natural resources to those who use them for acquisitive purposes only. This is all the more true as population increases and natural resources are exhausted or appropriated to individual ownership.

Can any one point to a single very rich man, except Henry Ford, who is devoting his personal efforts and energy to the productive side of industry or who is reasonably familiar with the technical processes of industry? How many of the large fortunes have been made

from salaries, interest and dividends, or even from the speculative buying or selling of commodities produced by these individual owners? They are usually made from financial manipulation and speculation in natural resources.

Rich men drift more and more into New York and so far as they work at all—and many of them work very hard—they devote their whole life to the financial side, to the manipulation of investments, of stocks and bonds, and natural resources, the formation of trusts and monopolies, manipulation of values through the control of credit, rather than to the increase of production. The motives of such men are acquisitive, not productive! They seek profits and individual fortunes, not social justice or human welfare.

Such profit seeking, with its increasing centralized ownership and control, not only leads to increasing inequality of wealth and to dissatisfaction and the discouragement of efficiency in the working classes, but this domination is beginning to have a like effect on the technicians in industry. The life is going out of them and they are becoming more enamored with the profit idea. They are hampered almost as much as the workers are in their attempt to improve the technical side of industry and particularly in their relation to the workman. They are using their talents, more and more, in the interests of speculation and acquisition rather than in production. They not only do not have a free hand in production, but, forced to yield their expert judgment to the orders of the nontechnical owners, in order to get on personally in an economic sense, they are becoming mere instruments or tools of owners.

The curse of the system is not primarily its inequality, or its injustice, but the fact that it is checking and destroying industry and turning our economic life into

a fever of speculation. It has the same effect on production that the depreciated currencies of Europe have today. The spirit of mere acquisition irrespective of service is corrupting the youth and making them seekers of fortunes at any cost. It is undermining religion and making the call of the church to fall on dull ears.

It is inevitable that, when the idea of profits has seized and dominates a nation and the control of economic life has passed to concentrated ownership and control, separated from industrial knowledge and a share in productive effort, industry will stagnate and retrograde in both quality and quantity. It is equally certain, also, that the spirit of domination in the owners will take the form of a conscious attempt to dominate all the means of education and the direction of religious teaching; what has in fact taken place in regard to the workmen and the technical force in industry is fast becoming true in regard to the schools, colleges, churches, and the press. If profit seeking is the chief end of man why should not these powerful agencies also be used to further that end? If a preacher, or a teacher, or an editor cannot find the means of living with the natural resources exhausted, or appropriated to the hands of the profit seekers, except on the terms granted by such owners, why should the owners not make it a condition of life for these classes that they lend themselves to the cause of protecting and strengthening this system?

The social surplus, actual and prospective, is fast passing into the concentrated hands of the profit seekers. On them we must depend for all the funds for the furthering of education, religion and cultural purposes. Until we can change these ideals and purpose on which our present industrial life rests, with its world division of labor, the professional classes are absolutely dependent for financial life, and even for existence, on this class, and,

if the financial streams for these higher purposes are not to dry up, we must submit to the dictates and desires of this class. But this class constitutes but a small part of our population, and a part not interested in these instituoitns except as aids to profit seeking. The contributions of this class are primarily insurance funds, contributed for the maintenance of the profit-making system.

But as long as these traditionally religious and cultural agencies are used for such purposes they will make no appeal to the mass of the people and true religion must languish. It is said that the United States Steel Corporation has built many churches besides contributing to a multitude of others. It is questionable whether these contributions are in motive or in result an aid to religion. If churches are to have a helpful influence on the religious life of their members, the members must feel they have a vital part in the construction and maintenance of the church. A church dominated by outside influences is as dead as an industry in which the workers have no influence.

In what I have just said I have not overlooked the pleas for the necessity of rewarding capital or management. Under any system of private property capital will not be accumulated unless it is compensated. The fact that the English government could borrow for unproductive expenditure at three per cent nearly one hundred and fifty years ago, and that our railroads, with all their wasteful competition and danger of bankruptcy, could borrow at less than four per cent in the twentieth century (the total railroad debt, much of it of long standing, and at corresponding high rates, bore but an average of 4.20 per cent eight years ago) indicates how large a reward is necessary to bring about the accumulation of capital.

As for the rewards of management, the speculative profits go not to the actual managers but to the owners, who have in large measure ceased to have any but a financial interest or relation to the industry. The real managers are merely hired men—exploited equally with the workmen. The active managers are so hampered by the mere owners as to deprive the public of the skilled management to which it is entitled. Railroad management, before the control passed to the bankers a generation ago, was not free from gross abuses, but it had a degree of energy and efficiency wholly unknown today. Managers are rewarded and promoted not for furthering industry, but for adding to the gains of the owners, often in ways highly injurious to the public. The chief interest in regard to the steel industry in recent days has not been in the production or consumption of steel, but in regard to the effects of proposed steel mergers on the stock market. Much more space in the newspapers has been given to the probable effect on the price of stocks than the possible effects on the public welfare. The profits go to the owners because they are owners, and, not to the technical men—the engineers—who are nominally in charge of industry. These technical men are told what to make, how much, and when, and how, and where, and above all, how to deal with labor. The orders are given by men ignorant of the industry and are in the supposed interest of profits and not of efficient production.

If it be said that these large speculative profits are required to cover the risks of industry, the answer is that the system increases, manifold, the legimate risks of industry, and, that, as at present worked with all the trusts, monopolies, shuttings down, and startings up of industry, the chief risks are thrown upon the bondhold-

ers—the creditors—and the workmen and necessarily ultimately on the consumers. Consequently the profits do not go to those who assume the risk, and the risks are altogether larger than they ought to be from the standpoint of the public welfare. In short the owners multiply the risks, collect for assuming such magnified risks, and then throw the enlarged burden of the risks on the weaker members of society. With the present unequal bargaining power of the parties, can any disinterested persons look at the millions of men now out of employment and the millions of others whose actual earnings have been reduced below the pre-war level, and then take account of the war profits, and having taken full note of all profits and all writings down of the inventories, and the losses to the owners, come to the conclusion that the owners of title have borne the whole or even the major part of the burden of deflation, and readjustment, or that the laborers, the consumers, and the salaried classes have not been the chief sufferers during the period of readjustment?

The present railroad and coal strikes are the direct results of the attempts of the owners to hold their full war profits and to throw the burdens of readjustment and deflation on the public and the workers. Furthermore the system results often in inflicting enormous losses on the public for the sake, or for even the hope, of small gains for the manipulators. The surplus product and gains during the period of rising prices went to the owners on the theory that such gains were a reward for the risks of industry, and, that industry would languish and accumulation of capital cease if a chance of such gains and such large fortunes were not offered. Ask the three to five million men out of employment the last two years who is bearing the risks and ultimate losses of industry during the deflation period. Ask the coal miners and

the cotton operatives and the railroad workers who are now bearing the burden of the risks. In theory these men have a fixed and assured wage—even if a small one —and the owners have a variable reward with the chance of large gains in prosperous times. Nobody can deny that the owners got the large gains during the war period, in unregulated business, through inflated prices, in the railroads through high rentals. Do they pay the fixed wages called for by their theory during depressed times? Rather they take the chance and the fact of large gains when they come, and refuse to pay the fixed wages, or any wages at all when hard times come. If reply be made that the owners cannot do otherwise under a competitive system, and that we cannot make men produce permanently at a loss, I grant all that! But, none the less, if workers cannot get the fixed wages and the stable employment called for by the theory, the argument fails, and the theory on which we are working is fallacious. In fact the so-called competitive system under which we live gives the gains to the owners and manipulators during rising prices and throws the burdens on the weaker members of society during the periods of falling prices and depressions.

If the owners actually get the large profits and do not in fact bear the losses, the theory of profits as a reward for risk bearing falls to the ground.

The fact that the soft coal miners as a whole, have had work, through good times and bad during the last thirty years a little more than two-thirds of the working days on the average, shows conclusively who bears the risks in this industry. On the whole, the operatives have, in fact, drawn liberal profits from the industry. But no part of these profits have gone to stabilize the industry, to reduce prices to the consumer, or to compensate the workmen for lost time. Hence the present chaos in this

industry. The coal operators and owners may not be bad men, but they are not living up to the theory that they bear the risks of the industry. If they are good men they are supporting and on the whole profiting by a very bad system. I am not condemning the men—but the system. Nor is the illustration from the soft coal industry as great a condemnation of the competitive profit system as could be chosen. For of all basic industries this is perhaps the least subject to trust control. In the other important industries we must add to the evils and failure of competition the great evils of trusts, combinations and monopolies, and a multitude of artificial restraints on competition.

One who has had his eye on Congress for the last four years, and has observed the unparalleled lobbies at work there, must conclude that the profitseekers are not so wedded to our unrestricted, private, initiative, individual private enterprise, freedom of contract, free competition and the necessity of keeping the government away from any connection with business, and letting private individuals assume the control and the risks of industry as one has been taught to believe. On the contrary, he is profoundly impressed with the fact that if the capitalists have agreed to bear the risks of industry they are not cheerfully meeting their contract obligations but are seeking by all known means, honest and dishonest, open and secret, fair and unfair, to obtain through government action, political, legislative, and administrative, special privileges and financial advantages for themselves. They seek everything from favorable government contracts by bribery, to ship subsidies and protective tariffs by legislation.

Anyone who knows our American street car history, knows how the street car owners, as long as the industry was profitable, pleaded the sacredness of their contract

agreements on fares, and talked about the glory of private initiative and private enterprise and the unwisdom and impossibility of the public assuming the risks of the industry. In prosperous times millions, and tens of millions, were made by the private owners in reckless speculation in this field. Did the companies stand by their contracts and assume the risks of the business and accept their losses when profits began to fall? Did they put back into the industry any part of the vast sums that had been wickedly and unjustly taken out of it? Let New York, Boston and Chicago answer. They whined like babies, reduced the service, pulled up tracks, and threatened to abandon the whole service unless they were relieved of their contracts and losses, and talked not about contract rights, but of fairness, equity, and especially about the need of improving the service, at the same time confessing their inability to render any service without aid. What they did in this industry by whining and threatening they accomplished in other important industries by trusts, manipulation, and by depressing and exploiting labor. Their sense of responsibility for our economic life and public welfare are voiced by the motto, "Assume the risks of industry and charge enormous commissions for it while the profits are good, and repudiate contracts and throw the risks entirely on the workers and the consumers when the profits tend to drop and disappear." Surely owners cannot be said to bear the risks of business until the laborers are assured permanent employment and a living wage at all times, and until the owners actually bear the losses as well as reap the profits. In fact, under the present organization of industry, the party that is weakest in bargaining power bears the brunt and, with present concentrated ownership and control, the workmen, and particularly the unorganized workmen, and consumers bear

the main portion of the burden and the actual burden is increased many fold beyond what is necessary by speculation.

Even at the risks of repetition, some further illustrations of the principles, herein already set forth, are required. The impossibility of competition and the social and religious dangers at hand are fully illustrated by the history and present status of the four great fundamental, basic industries: railroads, steel, coal, and oil. These vital industries represent every phase of the evolution of industry. The annihilation of competition, monopolies, trusts and conspiracies in restraint of trade have been illegal from time immemorial under the common law. Having tried in vain to prevent all these hindrances to competition by litigation before the courts, we began two generations ago to establish administrative commissions to restrain them.

We began this attempt more than half a century ago with the railroads by state, as distinct from Federal, action. The railroads were the earliest important industry in which competition by the very nature and extent of the investment and business proved impracticable. When the evils became intolerable the people felt them keenly but did not understand the cause thereof. The sole cause of the trouble was the lack of economic competition and the resulting monopoly. But the populace did not understand that if competition were possible no regulation would be necessary. In their ignorance in trying to meet the evils, they undertook to regulate these monopolies and, by the same statutes, they required the roads to compete and forbade them to unite. Later, when the Federal government undertook to regulate the roads, they perpetuated the same mistake and contradiction. In trying to regulate rates and at the same time, to require competition, the governments were trying, and are

still trying, to do two virtually exclusive and contradictory things.

Add to this, the fact of pioneer individualism and the deep seated hostility on the part of the individual to any restraint or intereference with his action, and, it is needless to say that the only possible good that came from the attempt was not positive and direct restraint by action of the commissions and their decisions, but a certain mild and vague publicity arising from the investigations and the discussions and from the appointments or election of the Commissioners. The power of the Commissions was further weakened by the fact that, in all the earlier days, this attempt to regulate was confined to the individual states, while every day the growing complexity of the industry and the extension of the market made the operation of railroads more and more a national and not a state function. It took from 1869 when the first state commission was established till 1887 when the Interstate Commerce act was passed[1] to convince the people that federal action was necessary or constitutional. During these eighteen years the State Commissions were weak, were more or less in conflict and were very successfully fought by the railroads on constitutional grounds. Furthermore, in the then conditions of politics, the railroads were able to exercise a large influence in the choice of the Commissioners and in preventing large enough appropriations to enable the Commissions to do their work effectively. When the Federal act was passed the roads were still claiming that any effective administrative control was unconstitutional but that such control, if it existed, was lodged in the individual states. Consequently powers which Congress originally attempted to bestow upon the federal commis-

[1] The name of this Act has been changed. The above is the present legal name and has always been the popular designation.

sion were undoubtedly very small, and all disputed. Furthermore, the act had the vital defect of requiring competition as well as regulation. In other words, apart from its vague and limited scope, it had all the self contradictory provisions of the various state acts.

From the passage of the Interstate Commerce act in 1887 until we entered the Great War, the time and the energy were virtually all taken up in litigation before the courts in the attempt to determine under the Constitution, the right of any power, to regulate by commission, and to delimit the respective rights of the federal and state governments in this field. The attempt was on the part of the roads to prevent all regulation on constitutional grounds and meantime to play one jurisdiction off against the other. This is neither the time nor the place to enter into a discussion of this lawyers' constitutional battle.

Sufficient to say that these questions were still largely unsettled and regulation was essentially held in abeyance almost until our entrance into the war caused the taking over into federal control and operation of the railroads under the war power. This suspended for the time being all other important regulatory statutes, state and federal, although it nominally permitted all the commissions to remain in existence in a state of suspended animation.

The Transportation Act by which the roads were turned back to their private owners for operation was passed on March 1, 1920, in the confusion and hysteria following the war, and on the eve of a presidential campaign. It, in form, but not in fact, made some provisions for abandoning the idea of competition, but the act is so loosely drawn as to make the provisions nugatory. It was equally vague on the relation of the state to national control, but in February, 1921, the Supreme

Court, by a violent interpretation logically inconsistent with the great body of its previous decisions, virtually passed all powers of control to the hands of the Interstate Commerce Commission and thus annihilated the power of the state commissions.

We cannot here go into either the history or the importance of these charges. It is enough for our purpose to say that we are now trying to control the vast railroad system, consisting of 2,000 separate corporations virtually all created by the separate states, by a single commission to which Congress in 1920 granted greatly increased powers. Of these 2,000 corporations but 189 are in Class I, that is, each has an annual income of more than $1,000,000; there are 280 roads of the Class II (income between $100,000 and $1,000,000); and 376 roads in Class III. There are 301 switching and terminal railroads in addition. All these classes report annually to the Commission. Apart from these there are 427 all of whose property is leased to other roads. The Class I roads own about 90 per cent of the mileage and earn about 98 per cent of the total railroad income of the country.

Each of these 189 first-class roads is an amalagation of many separate corporations. The number running up in the case of some of the older and larger systems to something like five hundred. They have been welded together by every sort of arrangement and contract that the most skillful lawyers can invent, while in some cases some of the charters have been surrendered. The number of live corporations in the larger systems runs into the scores. Such systems are all managed by a single group of men, or officers, who trade and dicker among themselves and play battledore and shuttlecock with the properties, contracts and accounts. We try to exercise a public control over such a mass of congeries of

corporations, with a total capitalization of more than twenty billions, a single commission, with all the business centralized in one office at Washington. The degree of centralization is probably greater than in any other important department in this or any other government, and certainly much greater than is found in any of our larger unregulated private businesses. In fact, experience has demonstrated that the degree of centralization is so great as to make effective regulations impossible. This is true irrespective of the extent of statutory powers granted to the commission, or of the excellence of the personnel of the Commission or its staff, or, of the amount of money appropriated for the work of the Commission.

These roads are of every degree of strength and of strategic location. There is no other instance on earth of so large a complexes of properties with so intricate a financial organization, so little subject in theory to competition in the Ricardian sense. There is no other in which the sovereign people, acting through the sovereign state, have so persistently and so long undertaken with so little advantage to apply worn out and impossible economic doctrines. The people have instinctively and correctly sensed the social and economic dangers and evils, and tried ever new and strange remedies and preventives. There will be no remedy and no checking of evils until the public grasps the fundamental truth that the doctrines of individual freedom of contract and competition have no logical relation whatever to the era of world division of labor and capitalistic machine production through vast organizations known as corporations, treated as if they were individual, natural persons.

If there were no other industries than the railroads we should have to modify profoundly our legal concepts

of property rights and competition, and simplify our corporate organizations and finances. Because of the impossibilities of real competition, among other reasons because of the large fixed capital, so-called competing railroads will always have the same rates whether these rates are fixed without restraint by the roads themselves or by public authority, or the strong road will bankrupt the weak by cutting rates and will then buy it for a song, and present to the world a case of the most dangerous monopoly known to the world. To attempt to regulate rates of such competing monopolies, which in practice must have the same rates where parallel, is impossible. Since they cannot compete, yet for practical purposes they must have the same rates, the practice is wholly inconsistent with the doctrine of a reasonable rate and a fair return, both of which our law now requires. For a given uniform rate will either bankrupt the weaker—a result that no court or commission or other public authority will knowingly bring about by its act—or, if the rate is high enough to keep the weaker one out of bankruptcy, it will give the stronger what is in fact, and what the law declares to be, an unreasonably high and unlawful return.

The transportation Act of 1920 undertook to meet this difficulty by providing for a rate high enough to save the weaker roads and then recapturing half of the excess earnings from the stronger roads. So far this provision of recapture has proved utterly incapable of administration and apparently will remain so. Besides it is probably unconstitutional.

The attempt to apply to a given property, at a given time, such mutually exclusive and completely contradictory principles is to bring chaos into an industry and to make it highly inefficient, to injure profits, and, while annoying the industry to leave it, in fact, unregulated.

Merely to attack and injure is not to regulate. It is not too much to say, therefore, that the attempt to regulate railroads in the United States either by state or federal authority or by both authorities at the same time has failed, because it has been an attempt to enforce unsound doctrines of economics. The attempt to regulate by federal authority must have failed if the economic basis of regulation had been sound, because of so high a degree of centralization in the administrative body. Yet in the absence of any scientifically sound effort to regulate, perhaps, all our expenditure of time, money and labor have been justified merely as an educational process or venture.

I have dwelt upon the railroads problem not for the sake of studying regulation as such, but because the railroads by their very natures are monopolies privately managed and owned in the interest of profits and not of service. They more vitally affect the lives of all than is the case of any other large industry and are performing a service which is, in fact and in law, public. If we are, therefore, to apply the traditional and antiquated doctrines of individual free contract in regard either to the consumer, the trust or the laborers, the opportunities for exploitation of the patrons, the workmen, and even the investor are unparalleled and even appalling. That we should try to compel or even permit the roads to compete is both foolish and criminal: that they can be regulated, while in law and in fact they have an opportunity to pretend to compete, is fatal to the public interest. It is futile to expect to regulate them while they are in competing or separate private ownership. It is equally unthinkable that they can be regulated until they are all unified in ownership and operation; or that any effective control or regulation can be exercised over them, even if they were all in one uniform system,

without a decentralization of administration greater than now prevails in any of our federal departments and infinitely greater than exists in the Interstate Commerce Commission. Should the government ever come to public ownership and operation, a like decentralization of the actual administration would have to be introduced, or the scheme would fail.

But there as elsewhere in our industrial life, the fundamental thing is that we should adopt, after we have discarded the present economic doctrines which have led to chaos and confusion and a deadlock in industry, some scheme other than the present capitalistic profit-seeking one. We must substitute the idea of service for the ideas of profits and speculation, and must establish a relation of the workmen to the capital, or instruments of production such as will dispel the fear of the workmen, and will give him a feeling that he is a man, and not a mere serf or tool of production, and that he has a real stake in the success and outcome of the enterprise.

The present great railroad and coal strikes prove conclusively that under the present system any large combination of either owners or workmen can, at will, virtually stop the industrial life of the nation and even endanger the lives of many, if not all, of our citizens. The President, on August 18, 1922, said truly that the nation is at the mercy of the united mine workers. He might with equal truth have said that it is at the mercy of the coal operators or of the railway executives. Certainly the power of combined labor is not more dangerous than the power of combined capital. It is less dangerous at present simply because less powerful. Furthermore, it would be hard to convince a disinterested observer that the spirit of profit, private advantage or greed, or the desire for domination in their own interests are stronger in the Labor groups than in the Capital

groups. The significant difference is that heretofore the capitalists have had more effective means of bringing public opinion and economic pressure to bear on the workmen, to make them give way in a struggle.

It does no good to blame or abuse either side, but it behooves us all and especially the Church to strive with all our might to abolish a system that brings us to such a condition, and to hold up an ideal, and advocate a system more in harmony with the spirit of Christ, and of human brotherhood before it is too late. For it cannot be too often repeated that the present system is a system of war, fully as destructive as war between nations. In fact, so-called competition, on the basis we have been trying it for decades, among parties so unequal in power, and the spirit of greed and domination that rules the system, is one of the most fundamental causes of war among nations. If competition in the Ricardian sense existed or could be made to exist no regulation of rates could be necessary. If regulation could be made effective there would be no occasion for trying to enforce competition. For reasons already fully explained, competition cannot be enforced. But the people do not know this and they have instructively felt their inability to deal adequately with these gigantic masses of capital in any effective way by regulation. Hence they have tried both to regulate and to retain competition, that is to enforce two self-contradictory policies under the same statute, by the same Commissions at one and the same time. Such schemes have failed and always will fail.

But my thesis is better illustrated by the steel industry and the United States Steel Corporation than by the railroads. In the first place, the steel industry is one of the most fundamental and one of the very largest. It is one in which the processes have undergone enor-

mous, dynamic and rapid changes. The Steel Corporation is itself a merger and presents all important phases of the trust question. Furthermore, the total amount of fixed capital is not only large but the individual units are themselves unusually large, thus working men in very large masses or units. Again, the Steel Corporation owns and controls a large proportion of the total steel industry and is the most marked case in an important industry of a completely integrated industry, that is, one that controls directly the raw material from the first stage of production on through all the various processes, from the very beginning to the final consumer, at home or abroad.

Besides all this, it is a matter of public record that the founders of this great trust gave more conscious and prolonged consideration at the beginning to forming a combination that would be large enough, various enough, and scattered over enough processes and territory to enable it to prevent and to crush labor unions. The chief personality among the founders, when asked why they made the combination so large and took in certain plants for which they paid excessive prices if they anticipated going into a competitive market, answered very simply that they wanted to make the company so large that nobody would care to tackle it. He could not at the time have realized all the implications of this statement. For speaking economically, tackling it is a matter of competition. Competition is the antithesis of monopoly. A thing that cannot be "tackled" economically is a thing that exercises monopolistic power. When Mr. Morgan made the above remark he probably had a much clearer view than our legislators or courts or the public, of competition as I have described the term. He knew that such a combination was beyond the reach of effective competition, and, in so much as our lawmakers and

judges do not understand this, felt that the company could escape the charges of legal monopoly.

The company has persistently and successfully pursued its anti-labor-union policy and is today the leader in the unparalleled attempt to smash all unions. The attempt to destroy the unions is now so universally recognized that even the President of the United States, who has never manifested much sympathy with the unions, calls attention to the efforts and condemns it in a public message August 18, 1922. In fact all competent and disinterested students look upon the attempt to crush all unions as dangerous so long as our general economic system remains unreformed. So far as the relations between employer and employe are concerned, the so-called competition between the parties has not for years had a single element of economic competition as the term was understood by Ricardo. On the one side, of this free contract has been a single ignorant, moneyless, foreign individual without power, political, educational or economic; on the other has been a combination of many thousands of owners controlling all the means of life in the neighborhood, often including all land, houses, stores, railroads and markets in the vicinity. If it is recalled that this is the largest and richest, and best integrated, privately owned corporation in the world, and that, through its relation to the banking and credit facilities, it commands unlimited credit, it can readily be seen that to apply the term competition to this company in regard to its labor contract is simply to misapply words. Such a policy at this writing has forced about 1,000,000 workers in two of the most fundamental industries to strike. The Supreme Court of the United States has after years of litigation ruled that the company is not in violation of the Sherman anti-trust act. But no one has yet explained why nobody

has cared to tackle this company, or why bigness prevents anyone from tackling it successfully, or why the price of steel rails, from the foundation of the company until the Great War, more than 13 years, through good times and bad, remained absolutely fixed and stable, including the rails made by the independents as well as by the United States Steel Corporation.

Yet this company drove the unions out and has kept them out through industrial peace times and through industrial war. Meantime until the Great War it kept wages much lower than wages in any other great industry with equal danger and requiring as much skill and maintained longer hours and worse working conditions than in any other large industry.

Although these facts have been exposed time and again, and proved by government investigations as well as by the famous Interchurch report, no significant improvement in working conditions (except prevention of physical accidents), hours, or pay were affected before the War. The War brought important and relatively great increase in profits and wages but not important changes in other respects. Although wages have been reduced since the War they are relatively much better than before the War—with the increase of September 1, 1922, common labor is about 23 per cent below the high point in 1920. Although the evil conditions, particularly the excessive proportion of men working on twelve-hour shifts and on Sunday, were vigorously protested against publicly more than a decade ago, there has been no marked improvement in these two particulars.

No one knows how much money went into the plants before the formation of the Steel Corporation, but the most elaborate and careful investigations, public and private, have been made as to both the cost and the value of the properties at the time the company was

formed. From these it appears that at least half the capitalization was water. But all interest has been paid from the beginning and vast surpluses have been accumulated and if the total paid out in dividends for the life of the company be averaged, liberal dividends have been paid on all the stock, including the water, for the whole period. The common stock which was at the beginning all water, because of the present surplus in these dull times, sells at about par.

Meantime the worst exploitation of workmen known in America in the twentieth century under the guise of individual freedom of contract has gone on. The workmen have not only been illegally prevented from forming unions but have been generally denied the right of free assembly, free press and free speech. The uniform practices of the company in this particular have been in violation of the most explicit constitutional and statutory guarantees of the same, by both state and nation.

When these facts are exposed, neither the company officially nor its officers individually deny them, but they maintain an army of private spies and carry on a perpetual propaganda in the attempt to discredit the government and the private investigators and to break thus the force of the revelations.

At the same time the moving spirit of the Company continues to preach the freedom of individual contract and free competition as the foundation of all human progress, and to denounce labor unions as the destroyers of all liberty and the oppressors of workmen.

I have dwelt at length on the case of the Steel Corporation not because it is any worse in motive or practice than others but because it is the largest, the most skillful and practically the most dangerous, and at the same time one of the most prosperous of the large companies. It is probably more conscious and consistent in its policy

than any other great company. Until it can be reached and made to change its policy by law or by public opinion, there is no hope of industrial peace, or social justice. It is maintaining conditions and practices that are inconsistent with the perpetuity of a democratic form of government, of a decent civilization or with the profession of any Christian Church. If it be said that the company cannot remedy these conditions under a competitive system, that is not proof that the conditions should be allowed to endure, but that the system that gives rise to such evils and makes them necessary should be abolished.

It matters not how ignorant the managers of this company may be of the effects of their actions, or how much they may believe that the working men belong to a lower order of nature than other men and can be dealt with successfully only in this way; or whether knowing, they choose to carry on this vitally necessary industry in this way for what they believe to be their own interests.

In spite of the investigations, public and private, and of agitation and litigation extending over more than a decade, and in spite of war profits and increased surpluses and enlarged dividends there has been no improvement in conditions except as regards wages and prevention of physical accidents. More than half the men in that part of the steel industry where continuous processes are necessary still work the twelve-hour day, and the Sunday labor has not been materially lessened. This means that after every competing nation has come to an eight-hour day in this industry, families representing from five hundred thousand to seven hundred and fifty thousand people are subject to this barbarous treatment. Judge Gary has said for ten years that the steel corporation was about to abolish the twelve-hour day, yet something like seventy thousand of that corporation's

employees are still on the twelve-hour shift. Such workers may want more wages, more schools, more churches, baths, and toilets, but their souls cry out for justice. Preaching the Gospel to them falls on deaf ears.

If Judge Gary is right in saying that wages are determined by demand and supply, and if this statement is correct, the church must insist that we control demand and supply.

It is clear to any student of human nature that the ideals, standards, practices and motives of this, the most powerful corporation, will be copied by the lesser breed. All these elements in the steel corporation are pre-eminent for their badness, and all other large fianancial interests are virtually united with this powerful group to prevent change.

Has creation toiled and struggled through all the ages to bring forth such a civilization? Is this the fruit and the ultimate goal of civilization? Is there nothing higher for mankind? If so, there is no proper place for the church.

Yet the church, if it does not approve this condition, at least tolerates it, and seems to be content if it can, in compensation for its quiescence, get some driblets of wealth wrung from this degradation.

"To watch the church in the world is to be reminded of a poor relation from the provinces sitting silent and overruled in the gilded drawing-room of a parvenu. There is no sound of confidence in her voice. She whines for the world's notice instead of denouncing its very obvious sins. She is too much in this world and too little in the other. She is too careful not to offend Dives but too selfish or self conscious to be seen openly in the company of Lazarus." * * *

Creation has not agonized in bloody sweat through countless ages of suffering and achievement that those

who possess the highest opportunities for doing good should pervert these opportunities into a mere platform for the display of a harmful badness." (Cf. The Mirrors of Downing Street, page 168.)

I do not undertake on this occasion to say by what means the church should tackle this problem, but confine myself to the underlying principles involved. I have simply attempted to show that our present system, resting on the assumption that every man knows his own financial interests, and first, and last, and at all times seeks only those interests by competition, and is always able to maintain those interests, is inconsistent with the doctrines of Christianity as confessed by the church; and that, with the present unequal distribution of ownership and control of industry and under a system of large fixed capital, competition in the Ricardian sense is impossible. The word has no proper application to our present economic conditions and life. The attempt to enforce competition, under existing conditions leads inevitably to trusts, combinations, monopolies and exploitation, that is, to a conscious and inevitable destruction or prevention of competition.

I have not attempted to set forth at any length the horrors of this exploitation such as the slums, the twelve-hour day, and Sunday labor, but wherever such power of exploitation exists the evils not only arise but are sure to continue to increase if not checked and destroyed by social control. Such a system is inconsistent with social justice and human welfare. It denies and belies the only worthy purpose and end of economic activity—human service—in satisfying the economic needs of mankind. Furthermore, the system carries in itself the seeds of its own destruction. For it tends to lessen production and ultimately to check even the accumulation of capital and the progress of the arts on which material welfare

depends and on the advancement of which material progress rests.

I have not advocated socialism. For the tyranny of a socialist state might easily prove as disastrous, and for the same reasons, as the exploitation of a combined and godless private capitalism. Nor have I advocated the equality of possessions, but an equal opportunity for all. I have not hinted at the abolition of private property or the confiscation of private property, but such a modification of property rights and the very concept of private property as will give equal opportunities to all and will correspond to modern needs and the Christian teachings, and such, therefore, as will harmonize and Christianize our industrial life and serve humanity. This would necessarily lead to less inequality of possession; a result absolutely essential if we are to retain our present political system. For all competent students now realize that a democratic form of government, with universal adult suffrage, cannot endure where the mass of the voters are without property and a small minority are enormously wealthy. Such a condition is infinitely less stable than a nation half free and half slave. "Every free people may well say with the Hebrew sage, 'Give me neither poverty nor riches.' The ideal condition for a state would be that in which the fortunes of its members were pretty nearly equal. Aristotle tells us that power is most safely lodged in the hands of the citizens of moderate means who have no motive for plundering the rich, and are not likely to be plundered by the poor. This class, he thinks, is less likely to show insolence. Neither does it excite envy. And Plato deploring the intensive strife which tore the Greek republics asunder, explains it by observing that in every city there are two cities, the Rich and the Poor." (Bryce—The Hindrances

to Good Citizenship. Lecture on Private Self Indulgence, page 171.)

I have likewise avoided, and for like reasons, any reference to labor unions. The combination and concentration of capitalists make unions inevitable and fundamentally necessary. Until the whole basis of industry is radically transformed, the labor union with its collective bargaining and threat of strikes will remain the greatest single check on the evils of deadly competition, so called, and exploitation, and therefore, the greatest mitigation of the evils of class war. But the union is not a cure. It occupies about the same relation to class war that the Red Cross does to war between nations. Neither of these agencies goes to the root of the matter or tends to prevent war. The recent and continuing gigantic effort to destroy the unions bids fair to succeed unless we strike successfully at the foundation of the difficulty and remove the causes of the strife. I digress for a moment on the aims of the unions and repeat what I wrote twenty-five years ago. The unions will never be content until they have attained three chief ends: namely,

(1) A living wage in good times and bad,
(2) A share in the management,
(3) A chance at a share in the speculative or surplus gains above a living wage, when progress, invention, and discovery bring such gains or surplus to society.

In other words, the workers claim a share in the economic progress and some degree of independence and self direction. The increasing power of man over nature in recent generations has constantly added to the productive power of mankind. So long as the manual laborers had hope and kept up their pace, this resulted in a constantly increasing surplus.

If the nervous strain, the hours of labor, and the unemployment be all taken into consideration, it cannot be said that the working classes have obtained a fair share of the surplus created by the progress of the arts. The actual increase in real averages is not as great as is supposed. And their increased wages, taken in connection with the time and strength left for leisure to enjoy an increased income, have not added to their well being or happiness to anything like the extent that was anticipated by the economists of two generations ago when the new productive power first burst upon the world.

Comparison is usually made as to the amount of wages alone. But a mere increase of wages alone, however great, will not satisfy and ought not to satisfy the workmen. Wages are but one means of life. The workers want life—more abundant life. They demand a real stake in our civilization and opportunity to share in the social and spiritual welfare of the race. The working people constitute the overwhelming majority of mankind. If they are pure materialists, and have lost all interest in the higher and nobler things of life, the race is doomed, and the church, which has already lost its essential hold on this large class, finds itself now isolated from the world.

No! If the church is to live and to guide the destinies of mankind it must not concern itself largely or completely with the material condition of the working classes, however important that may be, but must claim for them an opportunity to share in the things of the soul and the spirit. It must see, however, that their bodies are not so treated as to destroy the soul.

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